

ELK RIDGE CITY
FINANCIAL STATEMENTS
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
Elk Ridge City, Utah

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elk Ridge City, Utah (City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, budgetary comparison and pension information on pages 49-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elk Ridge City, Utah's financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated October 4, 2021, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

 CPA
Greg Ogden,
Certified Public Accountant
Springville, Utah
October 4, 2021

ELK RIDGE CITY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

As management of Elk Ridge City, we offer, to those interested, this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2020. This overview and analysis is also intended to assist the reader to focus on significant financial issues including identifying changes in the City's financial position. We encourage readers to consider the information presented here in conjunction with the City's financial statements. The City's activities are classified in the following manner: Governmental (General Administration, Public Safety, Streets and Highways, Parks and Recreation); while Business-type activities refer to operations of the Water, Sewer and Storm Drain Funds.

FINANCIAL HIGHLIGHTS

- The City's overall financial condition improved and new development occurred within the City limits. The City's net position increased by \$3,789,587 during the year, primarily due to the recovery of impact fees spent in prior years, contributed assets from developments, building permit and other development fees, and collection of impact fees.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

- 1) government-wide financial statements
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- *The statement of net position* presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows, with the residual balance reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the City is improving or deteriorating. However, the reader will also have to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.
- Both of the government-wide financial statements distinguish between activities that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on page 11 of this report.

ELK RIDGE CITY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Elk Ridge City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds.

- *Governmental Funds* – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Future Improvements Capital Projects Fund. The City also has Capital Projects Funds and a Special Revenue Fund; all of which are considered non-major governmental funds.

- *Proprietary Funds* - Elk Ridge City maintains one type of proprietary fund, the enterprise fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Elk Ridge City uses enterprise funds to account for its Water Utility, Sewer Utility and Storm Drain Utility. During the year, the City established a new fund, the Solid Waste Fund, to account for the collection and disposal of solid waste. This activity was previously accounted for in the General Fund.

As determined by generally accepted accounting principles, all of the proprietary funds meet the criteria of major fund classification.

- *Fiduciary Funds* – These funds are used to account for resources held for the benefit of parties outside the government. The City currently has no *fiduciary funds*.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of Elk Ridge City, assets and deferred outflows exceed liabilities and deferred inflows by \$43,774,099.

By far, the largest portion of Elk Ridge City's net position (67%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

ELK RIDGE CITY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities	
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Current and other assets	\$ 7,784,120	9,145,488	6,023,036	6,658,176
Capital assets, net	<u>16,576,301</u>	<u>17,733,050</u>	<u>10,723,214</u>	<u>11,773,043</u>
Total assets	<u>24,360,421</u>	<u>26,878,538</u>	<u>16,746,250</u>	<u>18,431,219</u>
Deferred outflows	<u>33,416</u>	<u>31,520</u>	<u>36,201</u>	<u>34,146</u>
Current liabilities	463,962	703,153	148,486	323,543
Noncurrent liabilities	<u>34,353</u>	<u>5,668</u>	<u>37,215</u>	<u>6,140</u>
Total liabilities	<u>498,315</u>	<u>708,821</u>	<u>185,701</u>	<u>329,683</u>
Deferred inflows	\$ <u>486,239</u>	<u>521,284</u>	<u>21,791</u>	<u>41,537</u>
Net position:				
Net investment in capital assets	\$ 16,576,301	17,733,050	10,723,214	11,773,043
Restricted for:				
Impact fees	1,944,988	2,219,166	1,071,209	945,451
Unrestricted	<u>4,887,994</u>	<u>5,727,737</u>	<u>4,780,536</u>	<u>5,375,652</u>
Total net position	\$ <u>23,409,283</u>	<u>25,679,953</u>	<u>16,574,959</u>	<u>18,094,146</u>

GOVERNMENTAL ACTIVITIES

The City's financial condition improved primarily because of three reasons: 1) the City collected impact fees and other development fees, 2) the City received developer donations for subdivision improvements, and 3) the City recovered from any adverse financial impacts from the pandemic.

Governmental activities net position increased by \$2,270,670 for the current fiscal year. Key elements of this increase are as follows:

- Most revenues were constant compared to the prior year. However, developer donations decreased compared to the prior year as fewer subdivisions were released to the City. Also, development related fees (permits, impact fees) increased as more homes started construction and more became occupied. As a result, certain revenues (franchise tax, sales tax, etc.) increased because these revenues tend to increase as the population of the City increases.
- The City spent more for public safety, streets, parks and general government expense as the population of the City increased.

ELK RIDGE CITY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities	
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Revenues				
Program revenues				
Charges for services	\$ 547,818	835,975	2,692,751	2,951,728
Operating grants and contributions	185,661	328,179	70,368	-
Capital grants and contributions	1,889,000	1,161,000	761,000	530,000
General revenues				
Property taxes	540,859	547,267	-	-
Sales and use taxes	559,489	706,355	-	-
Franchise taxes	156,310	171,888	-	-
Other revenues	<u>134,359</u>	<u>35,046</u>	<u>97,795</u>	<u>26,498</u>
Total revenues	\$ <u>4,013,496</u>	<u>3,785,710</u>	<u>3,621,914</u>	<u>3,508,226</u>
Expenses				
General government	\$ 414,586	429,601	-	-
Public safety	323,943	324,467	-	-
Streets/highways	492,399	615,944	-	-
Parks & recreation	114,453	145,028	-	-
Interest	-	-	-	-
Water	-	-	840,334	790,656
Sewer	-	-	784,608	823,012
Solid Waste	-	-	274,699	299,314
Storm drain	<u>-</u>	<u>-</u>	<u>140,272</u>	<u>76,057</u>
Total expenses	\$ <u>1,345,381</u>	<u>1,515,040</u>	<u>2,039,913</u>	<u>1,989,039</u>
Change in net position before transfers	\$ 2,668,115	2,270,670	1,582,001	1,519,187
Transfers	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Change in net position	2,643,115	2,270,670	1,607,001	1,519,187
Net position beginning	<u>20,766,168</u>	<u>23,409,283</u>	<u>14,967,958</u>	<u>16,574,959</u>
Net position ending	<u>\$23,409,283</u>	<u>25,679,953</u>	<u>16,574,959</u>	<u>18,094,146</u>

ELK RIDGE CITY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

BUSINESS-TYPE ACTIVITIES

Business-type activities net position increased by \$1,519,187. Key elements of this increase are as follows:

- The City continued to benefit from development related fees (impact fees).
- The City's water revenues increased as new residences were completed and occupied.
- The City accepted subdivision developments with the related assets of approximately \$530,000. This amount was recognized as a capital contribution and the City accepted the responsibility to maintain those assets.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of June 30, 2021, the City's governmental funds (General, Capital Projects and Special Revenue) reported combined fund equity of \$7,959,391. This represents an increase of \$1,105,359 from last year's ending balances.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be a large source of revenue in the General Fund and represent 50% of total general fund revenues. This compares with 51% for 2019. License and permit fee revenue increased as housing construction increased compared to the last year. Charges for services was higher compared to the prior year as road impact fees and other development fees were higher. Interest revenue decreased because the interest rate dramatically dropped during the year. Expenses for streets increased because the City performed maintenance that had been delayed.

As stated earlier, the City maintains four enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide more detail.

Charges for services for the all the funds increased compared to the prior year based more residences being occupied. The City also continued to benefit from development fees related to building permits issued. Sewer expenses increase based on those same connections because the City must pay Payson City or Salem City for those connections.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget is constantly reviewed by the Mayor, the City Council and the office staff. Typically, there is a mid-year amendment to the budget and then again at the end of the fiscal year, in June. Many adjustments are minor and simply reflect keeping current with year-to-date actual revenues and expenditures; however, some adjustments are of greater significance.

During the fiscal year, the City increased budgeted revenues by approximately \$805,000. The increases related to sales tax, a COVID related grant, and development fees. The City increased the expenditure budgets by

ELK RIDGE CITY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

approximately \$276,000. The increase budgets to expend the COVID related grant, purchase a small fire truck, and purchase fire and other equipment,

The City authorized transfers to the capital project funds to provide funding for future capital outlays.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – Elk Ridge City’s investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounts to \$29,506,093 (net of accumulated depreciation of \$9,689,562). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, etc.), and machinery and equipment. The increase in the City’s investment in fixed assets from the previous year was approximately \$3,162,000. Depreciation expense was approximately \$956,000. The key asset additions were: 1) developer donated assets (streets, water lines, sewer lines, storm drains), 2) a new fire rescue truck, 3) construction on a new salt shed, 4) construction on a new water booster pump, 5) water and sewer line replacements, including a pressure reduction valve, and 6) equipment purchases.

Long-term debt – As of June 30, 2021, the City had a total debt outstanding of \$ -0-, compared with \$-0- as of June 30, 2020. The City did not issue any new debt during the year.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of Elk Ridge City’s finances for all those with an interest in the City’s finances. Questions concerning any information provided in this report or requests for additional information should be addressed to: Finance Director, Elk Ridge City, 80 E. Park Drive, Elk Ridge, UT 84651.

Basic Financial Statements

ELK RIDGE CITY
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<u>Assets</u>			
Cash and cash equivalents	\$ 7,876,855	5,645,062	13,521,917
Pooled cash and cash equivalents	443,682	748,670	1,192,352
Accounts receivable, net	-	264,444	264,444
Due from other governments	691,662	-	691,662
Prepaid expenses	81	-	81
Restricted assets:			
Cash and cash equivalents	133,208	-	133,208
Land	6,728,556	270,562	6,999,118
Water rights	-	655,527	655,527
Construction in progress	222,214	-	222,214
Buildings	1,073,479	-	1,073,479
Improvements other than buildings	537,744	-	537,744
Machinery and equipment	1,508,838	-	1,508,838
Infrastructure	12,328,969	-	12,328,969
Structures and systems	-	15,869,766	15,869,766
Accumulated depreciation	(4,666,750)	(5,022,812)	(9,689,562)
 Total assets	 26,878,538	 18,431,219	 45,309,757
 <u>Deferred Outflow of Resources</u>			
Pension related	31,520	34,146	65,666
 <u>Liabilities</u>			
Accrued expenses	35,856	300,418	336,274
Deposits due customers	-	23,125	23,125
Contractor deposits	133,208	-	133,208
Contractor performance bonds	534,089	-	534,089
Noncurrent liabilities:			
Due within one year	-	-	-
Due in more than one year	5,668	6,140	11,808
 Total liabilities	 708,821	 329,683	 1,038,504
 <u>Deferred Inflow of Resources</u>			
Pension related	38,340	41,537	79,877
Revenues for future periods	482,944	-	482,944
 Total deferred inflow of resources	 521,284	 41,537	 562,821
 <u>Net Position</u>			
Net investment in capital assets	17,733,050	11,773,043	29,506,093
Restricted for:			
Impact fees	2,219,166	945,451	3,164,617
Unrestricted	5,727,737	5,375,652	11,103,389
 Total net position	 \$ 25,679,953	 18,094,146	 43,774,099

The accompanying notes are an integral
part of these financial statements

ELK RIDGE CITY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
General government	\$ 429,601	517,452	118,715	-	206,566	-	206,566
Public safety	324,467	1,097	3,535	-	(319,835)	-	(319,835)
Streets/highways	615,944	175,612	203,828	1,161,000	924,496	-	924,496
Parks and recreation	145,028	141,814	2,101	-	(1,113)	-	(1,113)
Total governmental activities	\$ 1,515,040	835,975	328,179	1,161,000	810,114	-	810,114
Business-type activities:							
Water	\$ 790,656	1,589,347	-	170,000	-	968,691	968,691
Sewer	823,012	966,505	-	210,000	-	353,493	353,493
Solid Waste	299,314	302,800	-	-	-	3,486	3,486
Storm Drain	76,057	93,076	-	150,000	-	167,019	167,019
Total business-type activities	\$ 1,989,039	2,951,728	-	530,000	-	1,492,689	1,492,689
Total primary government	\$ 3,504,079	3,787,703	328,179	1,691,000	810,114	1,492,689	2,302,803
General revenues:							
Taxes:							
Sales and use tax					\$ 706,355	-	706,355
Franchise tax					171,888	-	171,888
Property tax					547,267	-	547,267
Other taxes					-	-	-
Total taxes					1,425,510	-	1,425,510
Investment income					35,046	26,498	61,544
Gain (loss) on disposal of assets					-	-	-
Total general revenues and transfers					1,460,556	26,498	1,487,054
Change in net position					2,270,670	1,519,187	3,789,857
Net position—beginning					23,409,283	16,574,959	39,984,242
Net position —ending					\$ 25,679,953	18,094,146	43,774,099

The accompanying notes are an integral part
of these financial statements.

ELK RIDGE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	<u>General</u>	<u>Future Improvements Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Pooled cash and cash equivalents	\$ 303,566	99,901	40,215	443,682
Cash and cash equivalents	1,969,076	4,216,731	1,691,048	7,876,855
Accounts receivable, net	-	-	-	-
Due from other governments	691,662	-	-	691,662
Restricted assets:				
Cash and cash equivalents	133,208	-	-	133,208
Prepaid expenses	81	-	-	81
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 3,097,593	4,316,632	1,731,263	9,145,488
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Liabilities</u>				
Accrued expenses	\$ 35,754	-	102	35,856
Contractor deposits	133,208			133,208
Contractor performance bonds	534,089	-	-	534,089
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	703,051	-	102	703,153
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Deferred Inflow of Resources</u>				
Revenues for future periods	482,944	-	-	482,944
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Fund balances</u>				
Non-spendable	81	-	-	81
Restricted for:				
Bond requirements	-	-	-	-
Impact fees	1,347,489	-	871,677	2,219,166
Assigned	-	4,316,632	859,484	5,176,116
Unassigned	564,028	-	-	564,028
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	1,911,598	4,316,632	1,731,161	7,959,391
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflow of resources and fund balances	\$ 3,097,593	4,316,632	1,731,263	9,145,488
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral
part of these financial statements

ELK RIDGE CITY
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2021

Total fund balances of governmental funds	\$	7,959,391
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	\$	6,728,556	
Construction in progress		222,214	
Infrastructure		12,328,969	
Buildings		1,073,479	
Improvements		537,744	
Machinery and equipment		1,508,838	
Accumulated depreciation		<u>(4,666,750)</u>	17,733,050

Required recording of the net pension liability and related deferred inflows and outflows are not current financial resources and therefore are not reported in the funds.

Deferred outflow of resources		31,520
Deferred inflow of resources		(38,340)
Net pension liability		(5,668)

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	<u>-</u>	<u>-</u>
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Net position of governmental activities	\$	<u><u>25,679,953</u></u>
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The accompanying notes are an integral part
of these financial statements.

ELK RIDGE CITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General	Future Improvements Fund	Nonmajor Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,425,510	-	-	1,425,510
Licenses and permits	307,106	-	-	307,106
Intergovernmental	328,179	-	-	328,179
Charges for services	745,474	-	126,829	872,303
Interest	11,619	15,272	8,155	35,046
Miscellaneous	19,893	-	-	19,893
Total revenues	2,837,781	15,272	134,984	2,988,037
Expenditures:				
Operating:				
General government	778,040	-	-	778,040
Public safety	276,058	-	-	276,058
Streets/highways	273,913	-	-	273,913
Sanitation	-	-	-	-
Parks and recreation	96,617	-	-	96,617
Capital outlay:				
General government	18,337	-	-	18,337
Public safety	140,373	-	-	140,373
Streets/highways	92,211	207,129	-	299,340
Parks and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,675,549	207,129	-	1,882,678
Excess (deficiency) of revenues over expenditures	1,162,232	(191,857)	134,984	1,105,359
Other financing sources (uses):				
Transfers in	95,000	1,002,030	15,000	1,112,030
Transfers out	(1,017,030)	(50,000)	(45,000)	(1,112,030)
Total other financing sources (uses)	(922,030)	952,030	(30,000)	-
Change in fund balance	240,202	760,173	104,984	1,105,359
Fund balance - July 1	1,671,396	3,556,459	1,626,177	6,854,032
Fund balance - June 30	\$ 1,911,598	4,316,632	1,731,161	7,959,391

The accompanying notes are an integral part
of these financial statements.

ELK RIDGE CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Net change in fund balance of governmental funds	\$ 1,105,359
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$462,301) exceeded capital outlay (\$458,050) in the current period.

(4,251)

Governmental funds do not report the contribution of capital assets from third parties. However, the Statement of Activities reports these third party contributions as capital grants and contributions.

1,161,000

Governmental funds are not required to report the changes in net pension liability and the related adjustments to pension expense. These amounts are reported in the Statement of Activities.

8,562

Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Position. Repayment of bond and capital lease principal are expenditures in the governmental funds.

Principal payment on bonds	<u>-</u>
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Change in net position of governmental activities	\$ <u><u>2,270,670</u></u>
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The accompanying notes are an integral part
of these financial statements.

ELK RIDGE CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Drain Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 3,763,426	1,347,050	531,776	2,810	5,645,062
Pooled cash and cash equivalents	454,288	210,525	38,271	45,586	748,670
Accounts receivable, net	175,067	61,441	6,455	21,481	264,444
Total current assets	<u>4,392,781</u>	<u>1,619,016</u>	<u>576,502</u>	<u>69,877</u>	<u>6,658,176</u>
Noncurrent assets:					
Water rights	655,527	-	-	-	655,527
Land	114,039	12,539	143,984	-	270,562
Structures and systems	10,827,084	3,497,346	1,545,336	-	15,869,766
Accumulated depreciation	<u>(3,592,340)</u>	<u>(1,136,513)</u>	<u>(293,959)</u>	<u>-</u>	<u>(5,022,812)</u>
Total noncurrent assets	<u>8,004,310</u>	<u>2,373,372</u>	<u>1,395,361</u>	<u>-</u>	<u>11,773,043</u>
Total assets	<u>\$ 12,397,091</u>	<u>3,992,388</u>	<u>1,971,863</u>	<u>69,877</u>	<u>18,431,219</u>
<u>Deferred Outflow of Resources</u>					
Pension related	<u>27,581</u>	<u>6,565</u>	<u>-</u>	<u>-</u>	<u>34,146</u>
<u>Liabilities</u>					
Current liabilities:					
Accrued expenses	\$ 199,207	72,477	2,615	26,119	300,418
Deposits due customers	<u>23,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,125</u>
Total current liabilities	<u>222,332</u>	<u>72,477</u>	<u>2,615</u>	<u>26,119</u>	<u>323,543</u>
Noncurrent liabilities:					
Net pension liability	<u>4,960</u>	<u>1,180</u>	<u>-</u>	<u>-</u>	<u>6,140</u>
Total liabilities	<u>227,292</u>	<u>73,657</u>	<u>2,615</u>	<u>26,119</u>	<u>329,683</u>
<u>Deferred Inflow of Resources</u>					
Pension related	<u>33,549</u>	<u>7,988</u>	<u>-</u>	<u>-</u>	<u>41,537</u>
<u>Net Position</u>					
Net investment in capital assets	8,004,310	2,373,372	1,395,361	-	11,773,043
Restricted:					
Impact fees	311,326	634,125	-	-	945,451
Unrestricted	<u>3,848,195</u>	<u>909,812</u>	<u>573,887</u>	<u>43,758</u>	<u>5,375,652</u>
Total net position	<u>\$ 12,163,831</u>	<u>3,917,309</u>	<u>1,969,248</u>	<u>43,758</u>	<u>18,094,146</u>

The accompanying notes are an integral part
of these financial statements.

ELK RIDGE CITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Water Fund	Sewer Fund	Storm Drain Fund	Solid Waste Fund	Total Proprietary Funds
Operating revenues:					
Charges for services	\$ 1,231,665	889,691	93,076	302,800	2,517,232
Connection fees	27,000	10,800	-	-	37,800
Miscellaneous income	19,420	-	-	-	19,420
Total operating revenues	1,278,085	900,491	93,076	302,800	2,574,452
Operating expenses:					
Administrative fee	263,099	62,643	18,793	18,793	363,328
Current expenses	191,121	643,358	16,988	280,521	1,131,988
Depreciation	336,436	117,011	40,276	-	493,723
Total operating expenses	790,656	823,012	76,057	299,314	1,989,039
Operating income (loss)	487,429	77,479	17,019	3,486	585,413
Non-operating revenues (expenses):					
Impact fees	305,262	66,014	-	-	371,276
Water rights	6,000	-	-	-	6,000
Interest income	17,748	6,270	2,480	-	26,498
Interest expense	-	-	-	-	-
Non-operating revenues (expenses)	329,010	72,284	2,480	-	403,774
Income (loss) before contributions and transfers	816,439	149,763	19,499	3,486	989,187
Transfers in (out)	-	-	-	-	-
Capital contributions	170,000	210,000	150,000	-	530,000
Change in net position	986,439	359,763	169,499	3,486	1,519,187
Net position - July 1	11,177,392	3,557,546	1,799,749	40,272	16,574,959
Net position - June 30	\$ 12,163,831	3,917,309	1,969,248	43,758	18,094,146

The accompanying notes are an integral part
of these financial statements.

ELK RIDGE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Drain Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
<u>Cash flows from operating activities:</u>					
Receipts from customers and users	\$ 1,264,604	897,662	93,013	302,292	2,557,571
Payments to suppliers	(197,249)	(632,004)	(16,879)	(277,860)	(1,123,992)
Payments for interfund services used	(263,099)	(62,643)	(18,793)	(18,793)	(363,328)
Net cash provided by operating activities	<u>804,256</u>	<u>203,015</u>	<u>57,341</u>	<u>5,639</u>	<u>1,070,251</u>
<u>Cash flows from non-capital financing activities:</u>					
Water right fees	6,000	-	-	-	6,000
Contribution to other governments	-	-	-	-	-
Net cash provided (used) by non-capital financing activities	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
<u>Cash flows from capital financing activities:</u>					
Acquisition and construction of capital assets	(765,160)	(77,984)	(14,746)	-	(857,890)
Impact fees	305,262	66,014	-	-	371,276
Capital contributions	-	-	-	-	-
Net cash provided (used) by capital financing activities	<u>(459,898)</u>	<u>(11,970)</u>	<u>(14,746)</u>	<u>-</u>	<u>(486,614)</u>
<u>Cash flows from investing activities:</u>					
Interest on investments	<u>17,748</u>	<u>6,270</u>	<u>2,480</u>	<u>-</u>	<u>26,498</u>
Net cash provided by investing activities	<u>17,748</u>	<u>6,270</u>	<u>2,480</u>	<u>-</u>	<u>26,498</u>
Net increase (decrease) in cash and cash equivalents	368,106	197,315	45,075	5,639	616,135
Cash and cash equivalents - July 1	<u>3,849,608</u>	<u>1,360,260</u>	<u>524,972</u>	<u>42,757</u>	<u>5,777,597</u>
Cash and cash equivalents - June 30	\$ <u><u>4,217,714</u></u>	<u><u>1,557,575</u></u>	<u><u>570,047</u></u>	<u><u>48,396</u></u>	<u><u>6,393,732</u></u>

(continued)

The accompanying notes are an integral
part of these financial statements

(continued)

ELK RIDGE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Water Fund	Sewer Fund	Storm Drain Fund	Storm Drain Fund	Total Proprietary Funds
Shown in Statement of Net Position as:					
Cash and cash equivalents	\$ 3,763,426	1,347,050	531,776	2,810	5,645,062
Pooled cash and cash equivalents	454,288	210,525	38,271	45,586	748,670
Restricted cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,217,714</u>	<u>1,557,575</u>	<u>570,047</u>	<u>48,396</u>	<u>6,393,732</u>
Supplemental disclosures:					
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ <u>487,429</u>	<u>77,479</u>	<u>17,019</u>	<u>3,486</u>	<u>585,413</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	336,436	117,011	40,276	-	493,723
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(15,606)	(2,829)	(63)	(508)	(19,006)
Increase (decrease) in accrued expenses	1,363	13,137	109	2,661	17,270
Net change in pension liability accounts	(7,491)	(1,783)	-	-	(9,274)
Decrease in deposits due customers	<u>2,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,125</u>
Total adjustments	<u>316,827</u>	<u>125,536</u>	<u>40,322</u>	<u>2,153</u>	<u>484,838</u>
Net cash provided by operating activities	<u>\$ 804,256</u>	<u>203,015</u>	<u>57,341</u>	<u>5,639</u>	<u>1,070,251</u>

The accompanying notes are an integral
part of these financial statements

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Notes to the Basic Financial Statements

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The financial statements of Elk Ridge City (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the City are discussed below.

Financial Reporting Entity

The City operates as an incorporated governmental entity within the State of Utah. The City operates under the Council-Mayor form of government and provides the following services: public safety (police and fire), streets, recreation, public improvements, planning and zoning, general administrative services, as well as water, sewer, sanitation and storm drain utilities.

The City's basic financial statements include the accounts of all City operations. The accounting policies of the City conform to generally accepted accounting principles.

The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective government board.

Basic Financial Statements - Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, streets and public improvements, recreation, planning and zoning and general administrative services are classified as governmental activities. The City's water, sewer, solid waste (sanitation) and storm drainage services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: net investment in capital assets; restricted net position, and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

Governmental activities are usually financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general, public safety, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

These government-wide statements focus more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Basic Financial Statements – Fund Statements

The City's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions, or specific purposes. Separate financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major individual funds, as defined by GASB Statement No. 34, with each displayed as a separate column. All remaining governmental and proprietary funds are aggregated and reported as non-major funds in their respective fund financial statements.

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the City's governmental funds.

- The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The **Special Revenue Funds** are used to account for the proceeds of specific revenues.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

- The **Capital Projects Funds** are used to account for financial resources to be used for the acquisition of capital facilities and equipment by the City.

The City's major governmental funds consist of the following:

General Fund - see description above.

Future Improvements Fund – capital projects fund for acquisitions or construction.

The City's nonmajor governmental funds consist of a special revenue fund that collects impact fees and other resources for park development and maintenance and other capital project funds that accumulate resources for the future replacement and construction of capital assets.

Proprietary Funds

The focus of proprietary funds is upon determination of operating income, changes in net position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as investment earnings, are reported as non-operating.

- **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The City's major enterprise funds consist of the following:

Water Fund - This fund accounts for the water services provided to City residents.

Sewer Fund - This fund accounts for the sewer services provided to City residents.

Storm Drain Fund – This fund accounts for the storm water drainage services provided to City residents.

Solid Waste Fund – This fund accounts for the sanitation collection and disposal service provided to the City. The City created this fund in fiscal year 2020.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service and compensated absences expenditures are recorded only when payment is due.

Financial Statement Amounts

Cash and cash equivalents

For the purpose of the Statement of Net Position, the term “cash and cash equivalents” includes all demand deposit accounts, savings accounts, or other short-term, highly liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Interfund Receivables and Payables

During the course of operations, transactions sometimes occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Accounts Receivable and Due From Other Governments

Receivables consist of all revenues earned at year-end but received after year-end. Allowances for uncollectible accounts are based upon historical trends. Receivable balances for the governmental activities include sales taxes, franchise taxes, property taxes, garbage collection fees, and other fees. Business-type activities report receivables for utility service fees.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all depreciable assets has been provided over the estimated useful lives using the straight-line method. The ranges of estimated useful lives are as follows:

Buildings	20 to 40 years
Water, sewer, and storm drain improvements	15 to 50 years
Equipment	5 to 20 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Capitalized Interest

The City capitalizes net interest costs as part of the cost of construction for proprietary capital projects when material.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate unused vacation leave. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds do not report a liability for compensated absences while proprietary funds report the liability as it is incurred. Compensated absences related to governmental activities are usually liquidated by the General Fund. In the government-wide financial statements, the liability for governmental activities compensated absences is insignificant.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists of bonds payable, capital leases payable, notes payable, and accrued compensated absences. The City uses the general fund to liquidate long-term debt related to governmental activities.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Financial Statement Amounts

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item related to pensions that is the result of actuarial calculations.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. One item, property taxes, is reported in the governmental funds balance sheet as a deferred inflow of resources due to the property taxes being recognized as receivables prior to the period for which the taxes are levied. These amounts are also reported as deferred inflows of resources on the government-wide statement of position. The City also has one item related to pensions that is the result of actuarial calculations.

Equity Classifications

Equity in the government-wide financial statements is classified as net position and displayed in three components:

- Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

- Restricted net position - Consists of net position with constraints placed on its use whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Equity in the Governmental Fund statements is required to be separated into the following categories, with the applicable definition:

- Nonspendable - Amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to remain intact;
- Restricted - Amounts constrained to specific purposes by their provider, through constitutional provisions, or enabling legislation;
- Committed - Amounts constrained to a specific purpose by the government itself, using its highest level of decision-making authority, used first for unrestricted expenditures;
- Assigned - Amounts a government intends to use for a specific purpose: intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority (for the City, this authority has been delegated to the management of the City by Council resolution), used after committed funds are exhausted for unrestricted expenditures;
- Unassigned - Amounts that are available for any purpose.

As required by State law, the City is required to maintain a minimum of 5% and a maximum of 35% of the General Fund revenues in unassigned, assigned or committed fund balance.

Proprietary fund equity is classified the same as in the government-wide financial statements.

Revenues

Property taxes, franchise taxes, licenses, fees-in-lieu of taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Property taxes and fees-in-lieu of taxes associated with future periods are deferred. All other revenue items are considered to be measurable and available only when the City receives cash. Grants are usually reimbursable grants and are thus recognized as revenue at the time the expenditures are made.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In addition, other revenues that do not result from providing services are reported as non-operating revenues.

Expenses/Expenditures

When an expense/expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's general policy to use restricted resources first.

For proprietary fund financial statements, operating expenses are those that result from providing services to customers.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

Property Tax Calendar

A lien is placed on all property as of January 1 each year. Utah County assesses all taxable property other than centrally assessed property, which is assessed through the State, by May 22 of each year. The City must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2 – Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted by the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

At June 30, 2021, the City's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Cash and cash equivalents:				
Cash on hand	\$ -	-	55,437	55,437
Public Treasurer's Investment Pool	\$ -	13,466,480	-	13,466,480
Total cash and cash equivalents	\$ -	13,466,480	55,437	13,521,917
Pooled cash and cash equivalents:				
Demand deposits	\$ 1,192,352	-	-	1,192,352
Total pooled cash and cash equivalents	\$ 1,192,352	-	-	1,192,352
Restricted cash and cash equivalents:				
Demand deposits	\$ 133,208	-	-	133,208
Total restricted cash and cash equivalents	\$ 133,208	-	-	133,208
Total all deposits and investments	\$ 1,325,560	13,466,480	55,437	14,847,477

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2021, \$1,188,040 of the City's bank balances of \$1,571,248 was uninsured and uncollateralized.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2 – Deposits and Investments (continued)

Investments

The Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the State Public Treasurer’s Investment Fund. The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionately in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. As of June 30, 2021, all investments held by the City are in the PTIF, which has a maturity of less than 1 year.

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

At June 30, 2021, the City determined that all the investments are Level 2 investments.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2 – Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all City investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing exposure to credit risk is to comply with the State's Money Management Act as previously discussed. At June 30, 2021, all investments held by the City are in the PTIF which is unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial risk is to use the PTIF whenever possible. As of June 30, 2021, the City had no investment subject to custodial risk.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 3 – Receivables, Due From Other Governments and Inter Fund Receivables

At June 30, 2021, the City has accounts receivable and due from other governments as follows:

Governmental Activities:

Due from other governments:

Class "C" roads	\$ 46,838
Property taxes	489,447
Franchise taxes	22,337
Sales taxes	<u>133,040</u>

Total due from other governments	\$ <u>691,662</u>
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Business-type Activities:

Accounts receivable:

Water Fund - Services and fees	\$ 175,067
Sewer Fund - Services and fees	61,441
Storm Drain Fund - Services and fees	6,455
Solid Waste Fund -Services and fees	<u>21,481</u>

Total accounts receivable	\$ <u>264,444</u>
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Interfund Receivables

There were no interfund receivables as of June 30, 2021.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4 - Capital Assets

Capital asset changes occurring for the year ended June 30, 2021, are as follows:

	July 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	June 30, <u>2021</u>
<u>Governmental activities:</u>					
Capital assets not being depreciated:					
Construction in progress	\$ 12,620	209,594	-	-	222,214
Land	<u>6,242,556</u>	<u>486,000</u>	<u>-</u>	<u>-</u>	<u>6,728,556</u>
Total capital assets not being depreciated	<u>6,255,176</u>	<u>695,594</u>	<u>-</u>	<u>-</u>	<u>6,950,770</u>
Capital assets being depreciated:					
Buildings	1,076,879	-	(3,400)	-	1,073,479
Improvements other than buildings	537,744	-	-	-	537,744
Machinery and equipment	1,300,347	248,456	(39,965)	-	1,508,838
Infrastructure	<u>11,653,969</u>	<u>675,000</u>	<u>-</u>	<u>-</u>	<u>12,328,969</u>
Total capital assets being depreciated	<u>14,568,939</u>	<u>923,456</u>	<u>(43,365)</u>	<u>-</u>	<u>15,449,030</u>
Accumulated depreciation for:					
Buildings	(261,182)	(27,945)	3,400	-	(285,727)
Improvements other than buildings	(221,406)	(25,918)	-	-	(247,324)
Machinery and equipment	(747,765)	(105,657)	39,965	-	(813,457)
Infrastructure	<u>(3,017,461)</u>	<u>(302,781)</u>	<u>-</u>	<u>-</u>	<u>(3,320,242)</u>
Total accumulated depreciation	<u>(4,247,814)</u>	<u>(462,301)</u>	<u>43,365</u>	<u>-</u>	<u>(4,666,750)</u>
Total capital assets being depreciated, net	<u>10,321,125</u>	<u>461,155</u>	<u>-</u>	<u>-</u>	<u>10,782,280</u>
Total governmental activities capital assets, net	<u>\$16,576,301</u>	<u>1,156,749</u>	<u>-</u>	<u>-</u>	<u>17,733,050</u>

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4 - Capital Assets (continued)

	<u>July 1,</u> <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30,</u> <u>2021</u>
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Water rights	\$ 655,527	-	-	-	655,527
Construction in progress	94,345	741,687	-	(53,629)	782,403
Land	<u>270,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,562</u>
 Total capital assets not being depreciated	 <u>1,020,434</u>	 <u>741,687</u>	 <u>-</u>	 <u>(53,629)</u>	 <u>1,708,492</u>
 Capital assets being depreciated:					
Structures and systems	<u>14,341,905</u>	<u>801,866</u>	<u>(110,037)</u>	<u>53,629</u>	<u>15,087,363</u>
 Total capital assets being depreciated	 <u>14,341,905</u>	 <u>801,866</u>	 <u>(110,037)</u>	 <u>53,629</u>	 <u>15,087,363</u>
 Accumulated depreciation for:					
Structures and systems	<u>(4,639,125)</u>	<u>(493,724)</u>	<u>110,037</u>	<u>-</u>	<u>(5,022,812)</u>
 Total accumulated depreciation	 <u>(4,639,125)</u>	 <u>(493,724)</u>	 <u>110,037</u>	 <u>-</u>	 <u>(5,022,812)</u>
 Total capital assets being depreciated, net	 <u>9,702,780</u>	 <u>308,142</u>	 <u>-</u>	 <u>53,629</u>	 <u>10,064,551</u>
 Total business-type activities capital assets, net	 <u>\$10,723,214</u>	 <u>1,049,829</u>	 <u>-</u>	 <u>-</u>	 <u>11,773,043</u>

Depreciation expense was charged to governmental activities-related functions of the City as follows:

General government	\$ 23,450
Streets and highways	342,031
Public safety	48,409
Parks and recreation	<u>48,411</u>
 Total depreciation expense	 \$ <u>462,301</u>

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 5 - Refundable Deposits

The City requires a security deposit for utility services. The deposit, reported as a liability in the water fund, covers garbage pickup, water charges, and sewer services. Security deposits in the water utility fund of \$23,125 were held by the City at June 30, 2021.

The City also requires that developers provide a guarantee deposit to insure that improvements are completed. After all improvements have been made, the deposit is refunded. Contractor deposits of \$133,208 were held by the City as of June 30, 2021 in the general fund. In addition, the City also held \$534,089 in performance bonds.

Note 6 - Long-Term Debt

Long-term liability activity for fiscal year ending June 30, 2021, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
Bonds payable	\$ -	-	-	-	-
Governmental activity long-term liabilities	\$ -	-	-	-	-

Business Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
Bonds payable:					
Revenue bonds	\$ -	-	-	-	-
Business-type activity long-term liabilities	\$ -	-	-	-	-

Governmental Activities

As of the end of the year, there was no long-term debt outstanding for the governmental activities.

Business-type Activities

There was no long-term debt outstanding for the business-type activities as of June 30, 2021.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 7 - Restricted Net Position/ Fund Equity

Restricted net position and fund equity represent moneys required to be maintained to satisfy third party agreements or legal requirements. The following schedule details restricted equity at June 30, 2021:

Governmental Activities:

Road impact fees - General Fund	\$ <u>1,347,489</u>
Park impact fees – Non-major Fund	\$ <u>871,677</u>

Business-type Activities:

Impact fees - Water Fund	\$ <u>311,326</u>
Impact fees - Sewer Fund	\$ <u>634,125</u>

Note 8 – Assigned Fund Equity

The City has assigned fund balances as follows:

General Fund

Fiscal year 2022 budget, appropriated fund balance	\$ <u>-</u>
Total General Fund	\$ <u>-</u>

Future Improvements Fund

Future capital acquisitions or improvements	\$ <u>4,316,632</u>
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Nonmajor Governmental Funds

Parks projects	\$ 306,411
Fire department equipment	51,635
Building improvements	96,750
Municipal equipment	<u>404,688</u>
Total nonmajor governmental funds	\$ <u>859,484</u>

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9 - Retirement Plans

General Information about the Pension Plan

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.

Tier 2 Public Employee Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953 as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing to Utah Retirement Systems, 560 East 200 South, Salt Lake City, UT 84102 or by visiting the website: www.urs.org.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9 - Retirement Plans (continued)

Benefits provided: URS provides retirement, disability and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefits	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* With actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increase non met may be carried forward to subsequent years.

Contributions: As a condition of participation in the systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2021 are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Contributory System			
111 – Local Government Tier 2	N/A	15.80	0.89
Noncontributory System			
15 – Local Government Tier 1	N/A	18.47	N/A
Tier 2 DC Only			
211 – Local	N/A	6.69	10.00

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9 - Retirement Plans (continued)

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial liability of the Tier 1 Plans.

For the fiscal year ended June 30, 2021, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer</u>	<u>Employee</u>
Noncontributory System	\$ 19,296	\$ N/A
Tier 2 Public Employees System	35,984	-
Tier 2 DC Only System	<u>2,058</u>	<u>N/A</u>
Total	\$ <u>57,339</u>	\$ <u>-</u>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, we reported a net pension asset of \$0, and a net pension liability of \$11,808.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.0191668 %	\$ -	\$ 9,831
Tier 2 Public Employees System	0.0137468 %	<u>-</u>	<u>1,977</u>
Total net pension asset/liability		\$ <u>-</u>	\$ <u>11,808</u>

The net pension asset and liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2021, we recognized pension expense of \$39,480. At June 30, 2021, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9 - Retirement Plans (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,010	\$ 905
Changes in assumptions	2,501	1,358
Net difference between projected and actual earnings on pension plan investments	-	77,569
Changes in proportion and differences between contributions and proportionate share of contributions	18,681	45
Contributions subsequent to the measurement date	<u>29,474</u>	<u>-</u>
Total	\$ <u>65,665</u>	\$ <u>79,877</u>

The \$29,474 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2020. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Deferred Outflows (inflows) of Resources</u>
2021	\$ (5,394)
2022	(3,331)
2023	(25,980)
2024	(12,332)
2025	634
Thereafter	2,717

Actuarial assumptions: The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 – 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9 - Retirement Plans (continued)

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based on gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2020, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Expected Return Arithmetic Basis</u>		
	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-term expected portfolio real rate of return</u>
Equity securities	37 %	6.30 %	2.33 %
Debt securities	20 %	0.00 %	0.00 %
Real assets	15 %	6.19 %	0.93 %
Private equity	12 %	9.50 %	1.14 %
Absolute return	16 %	2.75 %	0.44 %
Cash and cash equivalents	0 %	0.00 %	0.00 %
Totals	100 %		4.84 %
Inflation			2.50 %
Expected arithmetic nominal return			7.34 %

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9 - Retirement Plans (continued)

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95%.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

<u>System</u>	1 % Decrease <u>(5.95 %)</u>	Discount Rate <u>(6.95 %)</u>	1 % Increase <u>(7.95 %)</u>
Noncontributory	\$ 170,449	9,831	(124,067)
Tier 2 Public Employees	<u>33,270</u>	<u>1,977</u>	<u>(21,961)</u>
Totals	<u>203,719</u>	<u>11,808</u>	<u>(146,028)</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Savings Plan

The defined contribution savings plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions are available in the separately issued URS financial report. Elk Ridge City participates in the following Defined Contribution Savings Plans with the URS: 401(k) Plan

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9 - Retirement Plans (continued)

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for the fiscal year ended June 30, were as follows:

<u>401(k) Plan</u>		<u>2021</u>	<u>2020</u>	<u>2019</u>
Employer contributions	\$	18,452	19,145	13,788
Employee contributions		615	605	546

Note 10 – Interfund Transfers and Loans

During the year, the City made the following interfund transfers:

<u>Purpose</u>	<u>Amount</u>	<u>Transfer in</u>	<u>Transfer out</u>
Fund future purchase	15,000	Non-major fund	General fund
Fund capital purchase	45,000	General Fund	Non-major fund
Fund capital purchase	50,000	General Fund	Future Improvement
Fund future projects	1,002,030	Future Improvements	General fund

Note 11 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust (the Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the Trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. There have been no claim settlements that exceeded the City's insurance coverage for the past three years.

Note 12 - Administrative Fees

Administrative fees are paid by the enterprise funds and are reported as "charges for services" revenue in the general fund. These fees represent an allocation of costs to the enterprise funds for City personnel and other services paid by the general fund. These fees are eliminated from governmental activities when presented in the Statement of Activities.

ELK RIDGE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13 - Interlocal Agreements

The City entered into an interlocal agreement with the South Utah Valley Municipal Water Association (SUVMWA), a separate legal entity consisting of nine municipalities, to coordinate development and conservation of water resources and provide flexibility to the municipalities to meet their water needs. As part of the agreement, the City has the option to purchase water rights from SUVMWA to meet the water needs of the City.

During a prior fiscal year, the City entered into an interlocal cooperation agreement with Utah County to design and construct mitigation features related to the Bald Mountain and Pole Creek Fires which occurred during September 2018. The agreement did not create a separate legal entity. The agreement term is from the effective date of the agreement until completion of the design and construction of mitigation features related to the Bald Mountain and Pole Creek Fires but not longer than 20 years from the effective date. The mitigation features are outlined in Damage Survey Report prepared by the Natural Resources Conservation Service (NRCS) as part of an application for funding under the Emergency Watershed Program (EWP). The County will reimburse the City for 75% of the eligible construction costs and 50% of the land acquisition costs for a regional detention basin located at 11200 South Loafer Canyon Road. The City will acquire the land within City limits, reimburse the County for any design costs not covered by NRCS funds and reimburse the County for 6.25% of the eligible construction costs and 16.67% of the land acquisition costs for the regional detention basin at 11200 South Loafer Canyon Road.

Note 14 – Commitments

The City has an agreement with Payson City wherein Payson City agrees to provide sewer treatment services to most residences in the City. The agreement requires the City to pay a fee per connection. In addition, the City must pay Payson City the equivalent of an impact fee for each new connection using the Payson City system.

The City also has an agreement with Salem City wherein Salem City agrees to provide sewer treatment services to certain residences that are unable to connect to the Payson City system. The agreement requires the City to pay a fee per connection. In addition, the City must pay Salem City the equivalent of an impact fee for each new connection using the Salem City system.

Note 15 – Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through October 4, 2021.

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Required Supplementary Information

ELK RIDGE CITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,145,611	1,250,611	1,425,510	174,899
Licenses and permits	36,080	276,080	307,106	31,026
Intergovernmental	180,000	300,815	328,179	27,364
Charges for services	397,793	729,258	745,474	16,216
Miscellaneous	27,000	34,500	31,512	(2,988)
Total revenues	1,786,484	2,591,264	2,837,781	246,517
Expenditures:				
General government	901,250	943,115	796,377	146,738
Public safety	322,563	506,163	416,431	89,732
Streets/highways	357,300	382,300	366,124	16,176
Sanitation	-	-	-	-
Parks and recreation	105,300	130,700	96,617	34,083
Total expenditures	1,686,413	1,962,278	1,675,549	286,729
Excess (deficiency) of revenues over expenditures	100,071	628,986	1,162,232	533,246
Other financing sources (uses):				
Transfers in (out):				
Fire apparatus fund	(15,000)	30,000	30,000	-
Equipment fund	-	-	-	-
Town hall / firestation fund	-	-	-	-
Future improvements fund	(52,030)	(952,030)	(952,030)	-
Total other financing sources (uses)	(67,030)	(922,030)	(922,030)	-
Change in fund balance	\$ 33,041	(293,044)	240,202	533,246
Fund balance - July 1			1,671,396	
Fund balance - June 30	\$		1,911,598	

ELK RIDGE CITY
FUTURE IMPROVEMENT FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Interest	\$ -	-	15,272	15,272
Total revenues	-	-	15,272	15,272
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Streets/highways	600,000	600,000	207,129	392,871
Sanitation	-	-	-	-
Parks and recreation	-	-	-	-
Total expenditures	600,000	600,000	207,129	392,871
Excess (deficiency) of revenues over expenditures	(600,000)	(600,000)	(191,857)	408,143
Other financing sources (uses):				
Transfers in (out):				
General fund	52,030	52,030	952,030	900,000
Total other financing sources (uses)	52,030	52,030	952,030	900,000
Change in fund balance	\$ (547,970)	(547,970)	760,173	1,308,143
Fund balance - July 1			3,556,459	
Fund balance - June 30	\$		4,316,632	

ELK RIDGE CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING AND RETIREMENT SCHEDULES
June 30, 2021

Budget Presentation

A Budgetary Comparison Schedule is presented for the General Fund and each major special revenue fund as required by generally accepted accounting principles (GAAP). Budgets for governmental funds are adopted on a GAAP basis.

Annual appropriated budgets are adopted for all governmental and business-type funds. All annual appropriations lapse at fiscal year-end. Each fund adopts a “balanced budget” in accordance with State law. As allowed by State law, the City Council may authorize increases to or uses of unreserved fund balances. In the budget presentations, authorized increases to fund balance are shown as positive changes in fund balance and authorized decreases are shown as negative changes in fund balance.

Budget Adoption and Monitoring

On or before the first scheduled council meeting in May, all agencies of the City submit requests for appropriation to the City's financial officers so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review at the first scheduled meeting in May. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. The City financial officer must, within the revenues and reserves, estimate any changes in the budget as available or revenue estimates may be changed by an affirmative vote of a majority of the City Council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22, and adoption of budgets is done similarly.

State statute requires that City officers shall not incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Only the Council at a properly advertised public hearing can make increases in total fund appropriations. The final budget information presented is after all approved amendments.

ELK RIDGE CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING AND RETIREMENT SCHEDULES
June 30, 2021

Retirement Plan – Changes in Assumptions

There were a number of demographic assumptions (e.g., rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the Total Pension Liability, which is about 0.50% of the Total Pension Liability as of December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumption changes, which may be accessed online at newsroom.urs.org under the “Retirement Office” column using the “Reports and Stats” tab.

ELK RIDGE CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2021

Noncontributory System

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Proportion of the net pension liability (asset)	0.0216035%	0.0146585%	0.0102643%	0.0093739%	0.0135720%	0.0181130%	0.0191668%
Proportionate share of the net pension liability (asset)	\$ 93,807	82,945	65,909	41,070	99,940	68,266	9,831
Covered employee payroll	\$ 179,106	81,674	23,517	5,726	48,346	93,273	101,151
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	52.38%	101.56%	280.26%	717.25%	206.72%	73.19%	9.72%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	87.8%	87.3%	91.9%	87.0%	93.7%	99.2%

Tier 2 Public Employees System

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Proportion of the net pension liability (asset)	0.0120052%	0.0225731%	0.0252608%	0.0209344%	0.0162421%	0.0146880%	0.0137468%
Proportionate share of the net pension liability (asset)	\$ (364)	(49)	2,818	1,846	6,956	3,303	1,977
Covered employee payroll	\$ 59,140	145,840	207,158	205,225	189,995	204,214	219,824
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.62%	-0.03%	1.36%	0.90%	3.66%	1.62%	0.90%
Plan fiduciary net position as a percentage of the total pension liability	103.5%	100.2%	95.1%	97.4%	90.8%	96.5%	98.3%

In accordance with paragraph 81a of GASB 68, the City will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in the RSI. The City is building this schedule prospectively as allowed by GASB 68.

The amount and percentages above were measured by URS each year as of December 31.

ELK RIDGE CITY
SCHEDULE OF CONTRIBUTIONS
June 30, 2021

Noncontributory System

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 21,814	10,697	265	3,827	13,788	18,462	19,296
Contributions in relation to the contractually required contribution	<u>(21,814)</u>	<u>(10,697)</u>	<u>(265)</u>	<u>(3,827)</u>	<u>(13,788)</u>	<u>(18,462)</u>	<u>(19,296)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 130,698	63,561	4,009	20,721	74,649	99,958	104,474
Contribution as a percentage of covered - employee payroll	16.69%	16.83%	6.61%	18.47%	18.47%	18.47%	18.47%

Tier 2 Public Employees System

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 16,350	25,351	34,183	29,587	30,528	32,866	35,984
Contributions in relation to the contractually required contribution	<u>(16,350)</u>	<u>(25,351)</u>	<u>(34,183)</u>	<u>(29,587)</u>	<u>(30,528)</u>	<u>(32,866)</u>	<u>(35,984)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 109,436	175,504	229,263	195,973	196,444	209,870	227,750
Contribution as a percentage of covered - employee payroll	14.94%	14.44%	14.91%	15.10%	15.54%	15.66%	15.80%

In accordance with paragraph 81b of GASB 68, the City will need to disclose a 10-year history of their schedule of contributions in the RSI. The City is building this schedule prospectively as allowed by GASB 68.

Contributions in the Tier 2 Public Employees System include an amortization rate to help fund the unfunded liabilities in the Tier 1 Systems. The Tier 2 systems were created effective July 1, 2011.

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Supplementary Information

ELK RIDGE CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual June 30, 2020
Revenues:				
Taxes:				
General property taxes	\$ 483,126	509,202	26,076	499,145
Fee in lieu of property taxes	30,000	38,065	8,065	41,714
Sales and use taxes	600,985	706,355	105,370	559,489
Franchise taxes	136,500	171,888	35,388	156,310
Other taxes	-	-	-	-
Total taxes	1,250,611	1,425,510	174,899	1,256,658
Licenses and permits:				
Business licenses and permits	-	499	499	746
Building permits	276,000	306,572	30,572	208,733
Animal licenses	80	35	(45)	115
Total licenses and permits	276,080	307,106	31,026	209,594
Intergovernmental:				
Class "C" roads	180,000	203,828	23,828	180,464
COVID Relief Funds	118,715	118,715	-	-
Other	2,100	5,636	3,536	5,197
Total intergovernmental	300,815	328,179	27,364	185,661
Charges for services:				
Administrative fees	363,328	363,328	-	363,784
Road impact fees	159,040	175,112	16,072	135,464
Other	206,890	207,034	144	103,539
Total charges for services	729,258	745,474	16,216	602,787
Miscellaneous revenues:				
Interest	20,000	11,619	(8,381)	43,169
Sale of assets	-	-	-	11,350
Donations	14,500	14,985	485	-
Other	-	4,908	4,908	1,800
Total miscellaneous	34,500	31,512	(2,988)	56,319
Total revenues	2,591,264	2,837,781	246,517	2,311,019

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ELK RIDGE CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual June 30, 2020
Expenditures:				
General government:				
Legislative	48,600	44,408	4,192	41,788
Judicial	5,000	-	5,000	-
Administrative	754,515	687,426	67,089	660,838
Town hall and fire station	62,500	23,498	39,002	9,960
Non-departmental	72,500	41,045	31,455	43,226
Total general government	943,115	796,377	146,738	755,812
Public safety:				
Police department	146,000	124,039	21,961	120,512
Fire department	297,963	237,624	60,339	234,971
Animal control	5,500	4,160	1,340	4,925
Insect and weed control	-	-	-	-
Building inspection	56,700	50,608	6,092	49,207
Total public safety	506,163	416,431	89,732	409,615
Streets/highways:				
Streets department	101,800	98,745	3,055	36,408
Class "C" roads	280,500	267,379	13,121	218,645
Total streets/highways	382,300	366,124	16,176	255,053
Sanitation	-	-	-	-
Parks and recreation	130,700	96,617	34,083	85,784
Total expenditures	1,962,278	1,675,549	286,729	1,506,264
Excess (deficiency) of revenues over expenditures	628,986	1,162,232	533,246	804,755

(continued)

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ELK RIDGE CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual June 30, 2020
Other financing sources (uses):				
Transfers in (out):				
Fire apparatus fund	30,000	30,000	-	105,000
Equipment fund	-	-	-	(402,678)
Town hall/fire station fund	-	-	-	-
Future improvements fund	(952,030)	(952,030)	-	(497,322)
Total other financing sources (uses)	(922,030)	(922,030)	-	(795,000)
Change in fund balance	\$ (293,044)	240,202	533,246	9,755
Fund balance - July 1		1,671,396		1,661,641
Fund balance - June 30	\$	1,911,598		1,671,396

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ELK RIDGE CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2021

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Parks Fund	Fire Apparatus	Town Hall/ Fire Station	Equipment	
<u>Assets</u>					
Pooled cash and cash equivalents	\$ 30,113	2,000	7,102	1,000	40,215
Cash and cash equivalents	1,147,975	49,635	89,750	403,688	1,691,048
Total assets	1,178,088	51,635	96,852	404,688	1,731,263
<u>Liabilities and fund balance</u>					
Liabilities					
Accrued liabilities	-	-	102	-	102
Total liabilities	-	-	102	-	102
Fund balance:					
Restricted	871,677	-	-	-	871,677
Assigned:					
Fire department equipment	-	51,635	-	-	51,635
Building improvements	-	-	96,750	-	96,750
Municipal equipment	-	-	-	404,688	404,688
Parks	306,411	-	-	-	306,411
Total fund balance	1,178,088	51,635	96,750	404,688	1,731,161
Total liabilities and fund balance	\$ 1,178,088	51,635	96,852	404,688	1,731,263

ELK RIDGE CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Parks Fund	Fire Apparatus	Town Hall/ Fire Station	Equipment	
Revenues:					
Charges for services	\$ 126,829	-	-	-	126,829
Interest earnings	5,278	482	416	1,979	8,155
Total revenues	132,107	482	416	1,979	134,984
Expenditures:					
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	132,107	482	416	1,979	134,984
Other financing sources (uses):					
Transfer from (to) general fund	-	(30,000)	-	-	(30,000)
Total other financing sources (uses)	-	(30,000)	-	-	(30,000)
Change in fund balance	132,107	(29,518)	416	1,979	104,984
Fund balance - July 1	1,045,981	81,153	96,334	402,709	1,626,177
Fund balance - June 30	\$ 1,178,088	51,635	96,750	404,688	1,731,161

ELK RIDGE CITY
SPECIAL REVENUE PARKS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For The Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	June 30, 2021			
	Budget	Actual	Variance Favorable (Unfavorable)	Actual June 30, 2020
Revenues:				
Charges for services	\$ 23,930	126,829	102,899	97,421
Donations	-	-	-	-
Interest earnings	-	5,278	5,278	19,319
Total revenues	23,930	132,107	108,177	116,740
Expenditures:				
Parks and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	23,930	132,107	108,177	116,740
Other financing sources (uses):				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balance	23,930	132,107	108,177	116,740
Fund balance - July 1		1,045,981		929,241
Fund balance - June 30	\$	1,178,088		1,045,981

ELK RIDGE CITY
FIRE APPARATUS CAPITAL PROJECTS FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	<u>June 30, 2021</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
			<u>Actual June 30, 2020</u>
Interest income	\$ -	482	482
Total revenues	-	482	482
Expenditures:			
Capital outlay	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures	-	482	482
Other financing sources (uses):			
Transfer to general fund	(45,000)	(45,000)	-
Transfer from general fund	15,000	15,000	-
Total other financing sources (uses)	(30,000)	(30,000)	-
Change in fund balance	\$ (30,000)	(29,518)	482

ELK RIDGE CITY
TOWN HALL/FIRESTATION CAPITAL PROJECTS FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	June 30, 2021			
	Budget	Actual	Variance Favorable (Unfavorable)	Actual June 30, 2020
Revenues:				
Interest earnings	\$ -	416	416	1,948
Total revenues	-	416	416	1,948
Expenditures:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	416	416	1,948
Other financing sources (uses):				
Transfer to general fund	-	-	-	-
Transfer from water fund	-	-	-	-
Transfer from sewer fund	-	-	-	-
Transfer from general fund	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balance	\$ -	416	416	1,948

ELK RIDGE CITY
FUTURE IMPROVEMENTS CAPITAL PROJECTS FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	June 30, 2021			
	Budget	Actual	Variance Favorable (Unfavorable)	Actual June 30, 2020
Revenues:				
Interest	\$ -	15,272	15,272	55,163
Total revenues	-	15,272	15,272	55,163
Expenditures:				
Capital outlay	600,000	207,129	392,871	-
Total expenditures	600,000	207,129	392,871	-
Excess of revenues over expenditures	(600,000)	(191,857)	(408,143)	55,163
Other financing sources (uses):				
Transfer (to) from sewer fund	-	-	-	(25,000)
Transfer (to) from general fund	52,030	952,030	900,000	497,322
Total other financing sources (uses)	52,030	952,030	900,000	472,322
Change in fund balance	\$ (547,970)	760,173	1,308,143	527,485

ELK RIDGE CITY
EQUIPMENT FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	<u>June 30, 2021</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual June 30, 2020</u>
Interest income	\$ -	1,979	1,979	21
Total revenues	-	1,979	1,979	21
Expenditures:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Deficiency of revenues over expenditures	-	1,979	1,979	21
Other financing sources (uses):				
Transfer to general fund	-	-	-	-
Transfer from general fund	900,000	-	(900,000)	402,678
Total other financing sources (uses)	900,000	-	(900,000)	402,678
Change in fund balance	\$ 900,000	1,979	(898,021)	402,699

ELK RIDGE CITY
WATER FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	<u>June 30, 2021</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual June 30, 2020</u>
Operating revenues:				
Services	\$ 1,024,000	1,231,665	207,665	1,124,878
Connection fees	5,000	27,000	22,000	19,500
Miscellaneous	500	19,420	18,920	15,390
Total operating revenues	<u>1,029,500</u>	<u>1,278,085</u>	<u>248,585</u>	<u>1,159,768</u>
Operating expenses:				
Administrative fee	263,099	263,099	-	266,344
Current expenses	279,800	191,121	88,679	246,606
Depreciation	350,000	336,436	13,564	327,384
Total operating expenses	<u>892,899</u>	<u>790,656</u>	<u>102,243</u>	<u>840,334</u>
Operating income	136,601	487,429	350,828	319,434
Non-operating income (expense):				
Transfer from (to) capital projects funds	-	-	-	-
Impact fees	56,530	305,262	248,732	226,120
Water right fee	-	6,000	6,000	-
Interest income	15,000	17,748	2,748	65,565
Income before capital income (expenses)	<u>208,131</u>	<u>816,439</u>	<u>608,308</u>	<u>611,119</u>
Capital budget income (expenses):				
Equipment and improvements	(1,714,500)	(920,823)	793,677	(153,952)
Debt payments	-	-	-	-
Total capital budget income (expenses)	<u>(1,714,500)</u>	<u>(920,823)</u>	<u>793,677</u>	<u>(153,952)</u>
Net income (loss) budget basis	\$ <u>(1,506,369)</u>	(104,384)	<u>1,401,985</u>	457,167
Adjustments from budget basis to GAAP basis:				
Equipment and improvements		920,823		153,952
Donated capital assets		170,000		238,000
Gain on sale of assets		-		-
Loss on abandoned assets		-		-
Net income GAAP basis	\$	<u>986,439</u>		<u>849,119</u>

ELK RIDGE CITY
SEWER FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	<u>June 30, 2021</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual June 30, 2020</u>
Operating revenues:				
Services	\$ 869,333	889,691	20,358	853,873
Connection fees	2,000	10,800	8,800	8,200
Total operating revenues	871,333	900,491	29,158	862,073
Operating expenses:				
Administrative fee	62,643	62,643	-	63,415
Current expenses	656,122	643,358	12,764	608,663
Depreciation	110,000	117,011	(7,011)	112,530
Total operating expenses	828,765	823,012	5,753	784,608
Operating income (loss)	42,568	77,479	34,911	77,465
Non-operating income (expense):				
Impact fees	15,730	66,014	50,284	64,493
Transfer from (to) capital projects funds	-	-	-	-
Assessment by SUVMWA	-	-	-	-
Interest income	3,500	6,270	2,770	22,939
Income before capital income (expenses)	61,798	149,763	87,965	164,897
Capital budget income (expenses):				
Equipment and improvements	(339,000)	(77,984)	261,016	(78,050)
Total capital budget income (expenses)	(339,000)	(77,984)	261,016	(78,050)
Net income (loss) budget basis	\$ <u>(277,202)</u>	71,779	<u>348,981</u>	86,847
Adjustments from budget basis to GAAP basis:				
Donated capital assets		210,000		291,000
Gain on sale of assets		-		-
Equipment and improvements		77,984		78,050
Net income (loss) GAAP basis	\$	<u>359,763</u>		<u>455,897</u>

ELK RIDGE CITY
STORM DRAINAGE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	June 30, 2021			
	Budget	Actual	Variance Favorable (Unfavorable)	Actual June 30, 2020
Operating revenues:				
Charges for services	\$ 90,600	93,076	2,476	90,326
Total operating revenues	90,600	93,076	2,476	90,326
Operating expenses:				
Administrative fee	18,793	18,793	-	19,025
Current expense	29,700	16,988	12,712	13,876
Depreciation	36,000	40,276	(4,276)	37,003
Total operating expenses	84,493	76,057	8,436	69,904
Operating income (loss)	6,107	17,019	10,912	20,422
Capital budget income (expense)				
Interest income	2,000	2,480	480	9,291
Grant revenue - non-operating	-	-	-	70,368
Contribution to other governments	-	-	-	(70,368)
Grant revenue - capital	-	-	-	75,000
Capital outlay	(76,000)	(14,746)	61,254	(75,000)
Total capital budget	(74,000)	(12,266)	61,734	9,291
Net income (loss) budget basis	\$ (67,893)	4,753	72,646	29,713
Adjustments from budget basis to GAAP basis:				
Capital outlay		14,746		75,000
Gain on sale of assets		-		-
Donated capital assets		150,000		157,000
Net income GAAP basis	\$	169,499		261,713

ELK RIDGE CITY
SOLID WASTE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	<u>June 30, 2021</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual June 30, 2020</u>
Operating revenues:				
Charges for services	\$ 312,798	302,800	(9,998)	289,971
Total operating revenues	<u>312,798</u>	<u>302,800</u>	<u>(9,998)</u>	<u>289,971</u>
Operating expenses:				
Administrative fee	18,793	18,793	-	15,000
Current expense	290,400	280,521	9,879	259,699
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>309,193</u>	<u>299,314</u>	<u>9,879</u>	<u>274,699</u>
Operating income (loss)	<u>3,605</u>	<u>3,486</u>	<u>(119)</u>	<u>15,272</u>
Non-operating income (expense)				
Interest income	<u>200</u>	<u>-</u>	<u>(200)</u>	<u>-</u>
Total non-operating	<u>200</u>	<u>-</u>	<u>(200)</u>	<u>-</u>
Net income (loss) budget basis	\$ <u>3,805</u>	3,486	<u>(319)</u>	15,272
Adjustments from budget basis to GAAP basis:				
Capital outlay		<u>-</u>		<u>-</u>
Net income GAAP basis	\$	<u>3,486</u>		<u>15,272</u>

GOVERNMENT AUDITING STANDARDS REPORT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor
Members of the City Council
Elk Ridge City, Utah

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Elk Ridge City, Utah (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated October 4, 2021.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elk Ridge, Utah's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not

express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 CPA
Greg Ogden
Certified Public Accountant
Springville, Utah
October 4, 2021

STATE COMPLIANCE REPORT

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE***

Honorable Mayor
Members of the City Council
Elk Ridge City, Utah

REPORT ON COMPLIANCE

I have audited Elk Ridge City, Utah's (City) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2021.

State compliance requirements were tested for the year ended June 30, 2021 in the following areas:

- Budgetary Compliance
- Fund Balance
- Restricted Taxes and Related Revenues
- Fraud Risk Assessment
- Government Fees
- Enterprise Fund Transfers, Reimbursements, Loans, and Services

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance based on my audit of the state compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each state compliance requirement referred to above. However, my audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Compliance

In my opinion, Elk Ridge City, Utah, complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2021.

Other Matters

The results of my auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the *State Compliance Audit Guide*.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, noncompliance with a state compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

 CPA
Greg Ogden,
Certified Public Accountant
Springville, Utah
October 4, 2021